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PRESIDENT BUSH'S PROPOSED FISCAL YEAR 1991 BUDGET FOR AGING PROGRAMS

AN INFORMATION PAPER

PREPARED FOR USE BY THE

SPECIAL COMMITTEE ON AGING
UNITED STATES SENATE

MARCH 1990

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PREFACE

This information paper, prepared by the staff of the U.S. Senate Special Committee on Aging, analyzes the full range of fiscal year 1991 budget proposals affecting older Americans. It outlines President Bush's proposed budget, regulatory initiatives, and legislative reforms for aging programs for the coming fiscal year. Included are the proposed budgets for Medicare and Medicaid; income and retirement programs; veterans' benefits; health and social service programs; and education, training, and research programs.

In each program area, the proposed spending and revenue levels for fiscal year 1991 through fiscal year 1993 in the Bush budget are analyzed against current service projections, as measured by the Office of Management and Budget and the Congressional Budget Office, where available.[1]

DAVID PRYOR,
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[1] Throughout this document, "n/a" denotes that the figure is not available. Budget authority figures are used for discretionary programs, while outlay numbers are used for entitlement programs.

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SECTION I—BUDGET OVERVIEW

According to the Congressional Budget Office (CBO), the Bush budget would produce a total fiscal year 1991 spending level of $1.277 trillion in outlays and $1.146 trillion in receipts for a total deficit of $131 billion. Under CBO's projections, the President's budget plan would not meet the $64 billion deficit target required by the Gramm-Rudman-Hollings budget deficit law (P.L. 99–177) in the coming fiscal year.

In contrast, the Office of Management and Budget (OMB) concludes that the deficit under the Bush budget would be $900 million below the mandatory deficit target and $10.9 billion below the deficit threshold ($74 billion) that would trigger automatic sequestration. Because the Gramm-Rudman-Hollings law relies on OMB-based deficit projections, sequestration would not be triggered.

The large difference between these deficit estimates arises largely because OMB uses more optimistic economic assumptions than does CBO. In addition, OMB's deficit projections do not reflect the very sizable needs of the newly established Resolution Trust Corporation.

Following accounting rules set out in the Gramm-Rudman-Hollings law, both CBO and OMB deficit calculations include the Social Security trust funds. The trust funds, which are running a large and ever-growing surplus, thus continue to offset an increasing share of the Federal budget deficit.

OVERALL BUDGET

[By fiscal years; in billions of dollars]

	Estimated			
	1990	1991	1992	1993
Proposed receipts:				
OMB	1,074	1,170	1,246	1,328
CBO	1,068	1,146	1,208	1,276
Proposed spending:				
OMB	−1,197	−1,233	−1,271	−1,322
CBO	−1,226	−1,277	−1,292	−1,355
Deficit w/SSTF [1]:				
OMB	−124	−63	−25	−6
CBO	−158	−131	−84	−79
Gramm-Rudman-Hollings targets	−100	−64	−28	0

[1] Social Security trust funds

BUDGET DEFICIT WITH AND WITHOUT SOCIAL SECURITY

[By fiscal years, in billions of dollars]

	Estimated			
	1990	1991	1992	1993
Deficit (w/SSTF [1]):				
OMB	−124	**−63**	−25	6
CBO	−158	**−131**	−84	−79
Deficit (w/o SSTF):				
OMB	−186	**−143**	−118	−101
CBO	−223	**−207**	−172	−177
Gramm-Rudman-Hollings targets	−100	**−64**	−28	0

[1] Social Security trust funds.

SECTION II—HIGHLIGHTS OF BUDGET PROPOSALS AFFECTING AGING PROGRAMS

Many of the President's initiatives for aging programs have been proposed by the former administration and rejected by the Congress. Other Bush proposals are extensions of savings and revenue initiatives which have already been enacted into law. Major cuts are targeted at Medicare ($5.2 billion), housing ($210 million), low-income home energy assistance ($264 million), Senior Community Service Employment (Title V of the Older Americans Act, at $29 million), Community Services Block Grant program ($363 million), and civil, military, and railroad retirement benefits ($2.1 billion).

Previous proposals: Reductions in payments to Medicare providers (i.e., extensions and deeper cuts in provider payments along the same lines as the Omnibus Budget Reconciliation Act of 1987); extension of Hospital Insurance (HI) payroll tax (and Medicare coverage) to all State and local employees; cuts in medical education, housing, the energy assistance program; the elimination of selected health, social service, legal aid, professional training, and housing programs; and the elimination of the Federal retiree lump-sum pension option and a 1-year freeze, followed by a reduction, of the COLA for Federal civil and military retirees.

New proposals: Incentives to enroll Medicare and Medicaid beneficiaries in managed-care programs; and, establishment of a family saving account plan to promote savings and long-term economic growth.

BUSH BUDGET: FISCAL YEAR 1991—MARCH 1990 CBO ESTIMATES

[In billions of dollars]

Program	Request	Current services	Difference
Medicare	111.6	116.8	−5.2
Part A (HI)	64.5	67.5	−3.0
Part B (SMI)	47.2	49.3	−2.1
Reduce funding for Part A Capital, Indirect Medical Education, and PPS updates and Part B non-primary care physicians and overprices procedures.			
Medicaid	45.4	45.1	−.30
Increase spending by 12 percent over fiscal year 1990 allocations. Enhance match for States that enroll Medicaid recipients in managed care, and beginning in 1992, reduce payments for States that continue to use traditional fee-for-service.			

BUSH BUDGET: FISCAL YEAR 1991—MARCH 1990 CBO ESTIMATES

[In millions of dollars]

Program	Request	Current services	Difference
Veterans health	[1] 12,579	[1] 12,160	**419**

Increase pay for health professionals. Require co-payments for VA outpatient visits, prescription drugs, and cost recovery for treatment of nonservice-connected disabilities from service-connected veterans who have health insurance (savings of $112 million).

NIH	7,930	7,900	**30**
NIA	249	250	**−1**

Increase the NIH budget by $354 million above the 1990 level. Increase NIA budget by $9.4 million. Reduce number of new NIA grants (194 in 1989, 156 in 1990, and 153 in 1991). Direct 30 percent of grants for Alzheimer's research.

HRSA	1,587	1,838	**−251**

Reduce grants for health care students, with the exception of minority programs which are expanded.

Social Security	265,800	265,800	**0**

No major benefits change. Raise $2.3 billion in fiscal year 1991 by extending Social Security coverage to all State and local workers who are not covered under a different pension system and for District of Columbia employees hired after Jan. 1, 1991.

SSI	14,632	14,447	**185**

Raise $55 million in fiscal year 1991 by charging States a fee for the administration of their SSI program (18 States affected). Also "paper" increase of $255 million in fiscal year 1991 as a result of accounting change.

Railroad retirement	4,372	4,435	**−63**

Privatize railroad retirement, eliminate tier II COLA in fiscal year 1991 and change tier II COLA formula thereafter to a CPI less 1 percent formula. Also finance 25 percent of Federal windfall through the rail pension trust fund (estimated savings of $80 million).

Federal civilian and military retirement:			
Civilian	31,905	33,996	**−2,091**
Military	22,335	22,976	**−641**

Eliminate fiscal year 1991 COLA for Federal civilian and military retirees and reduce thereafter the COLA to CPI less 1 percent formula. Civil service retirees can no longer remove their contributions as a lump sum.

Veterans compensation, pensions, and burial benefits:			
Pensions	3,847	3,877	**−30**
Compensation	11,796	11,934	**−138**
Burial	140	140	**0**

Make COLA automatic instead of annually legislating COLA. Assumes a January 1991 COLA of 3.9 percent. Save $171 million by placing a limit on estates of mentally incompetent veterans.

Pension benefits:			
PGBC	264	264	**0**
PWBA	90	77	**13**

No major changes for the Pension Benefit Guaranty Corporation (PBGC). Increase funding to Pension Welfare and Benefits Administration for more pension enforcement and protection activities.

Older Americans Act	748	779	**−31**

Reduce funding for title III programs (community-based services) by 4 percent and title VI (Native American grants) by 3.7 percent.

Community services:			
Senior Employment (title V of OAA)	343	372	**−29**
CSBG	0.042	412	**−363**
SSBG	2,802	2,988	**−188**

Cut fiscal year 1991 funding for senior employment by $29 million and freeze thereafter. Eliminate Community Services Block Grants (except for a homeless program). Increase funding for Social Services Block Grants, but far short of the amount necessary to offset CSBG cuts.

BUSH BUDGET: FISCAL YEAR 1991—MARCH 1990 CBO ESTIMATES—Continued

[In millions of dollars]

Program	Request	Current services	Difference
ACTION volunteers	121	123	−2
Increase stipend for Foster Grandparents from $2.15 to $2.35 per hour and maintain total service hours.			
Housing/energy assistance:			
Section 202	220	430	−210
CHSP	0	6.3	−6.3
LIHEAP	1,100	1,463	−363
Reduce sharply section 202 elderly housing (from 8,368 units in fiscal year 1990 to 3,967 units in fiscal year 1991). Fund 3,000 units of leased housing. Eliminate Congregate Housing Services Program. Continue multi-year cuts of Low-Income Home Energy Assistance Program (from a fiscal year 1985 funding level of $2.1 billion to a fiscal year 1991 funding level of $1.1 billion).			
Tax expenditures in aging-related areas.			
No major tax change in allowable deductions for health, housing credit, income security, and support for the aged and the blind. Tax deductions provided by the Government for pensions ($57 billion in 1989) represents the single largest tax expenditure of the Government. The third largest Government expenditure goes to employer contributions for medical insurance premiums and medical care ($32.4 billion in 1989).			
New tax proposals in aging-related areas.			
Increase savings and long-term investment by instituting a family savings account plan and enhancing IRAs. Allow employers to use a limited amount of pension fund assets to pay for retiree health costs. Make permanent the 25 percent tax deduction provided to self-employed persons for the cost of health insurance costs.			

[1] OMB number

SECTION III—DETAILED PROGRAM ANALYSIS

HEALTH

MEDICARE

(By fiscal years, in billions of dollars)

	Actual 1989	Estimate 1990	1991	1992	1993
Outlays: [1]					
Medicare part A (HI)					
OMB					
Current services	57.4	62.8	62.3	68.8	75.1
Bush budget			59.0	64.6	70.6
Proposed savings			−3.3	−4.2	−4.5
CBO					
Current services	58.2	63.9	67.5	75.5	83.2
Bush budget			64.5	71.7	79.0
Proposed savings			−3.0	−3.8	−4.2
Medicare part B (SMI)					
OMB					
Current services	36.9	43.0	45.8	52.8	59.2
Bush budget			43.8	48.7	53.3
Proposed savings			−2.0	−4.1	−5.3
CBO					
Current services	38.7	43.4	49.3	57.1	65.2
Bush budget			47.2	53.4	58.9
Proposed savings			−2.1	−3.7	−6.3
Total:					
OMB					
Current services	94.3	106.9	108.1	120.6	134.3
Bush budget			102.7	112.9	124.4
Proposed savings [2]			−5.4	−7.9	−9.9
CBO					
Current services	96.4	107.3	116.8	132.6	148.4
Bush budget			111.6	125.1	138.9
Proposed savings			−5.2	−7.5	−9.5

[1] Outlays equals spending for parts A and B; beneficiary premiums have not been deducted.
[2] Total proposed savings includes savings from proposals directed at part A, part B, and those affecting both parts A and B.

Analysis—Medicare Budget

The Bush budget proposal for Medicare calls for reduced outlays and increased premiums by a total of $5.4 billion ($5.2 billion, according to CBO, numbers in parentheses calculated by CBO). The cuts are aimed primarily at providers, with $3.4 billion ($3 billion, according to CBO) directed at hospitals, and $2.2 billion ($2.1 billion, according to CBO) in payment reductions and premium

changes under Part B. The President has also proposed to mandate that State and local employees not participating in Medicare do so, which the administration estimates will generate revenue of $1.9 billion in fiscal year 1991.

Savings Proposals: Of the proposed $5.4 billion in program savings, $3.4 billion, or 61 percent, are from cuts in Part A and $2.2 billion, or 39 percent, are from Part B. Over 95 percent of the savings in Part A stem from legislative proposals that would reduce reimbursement of capital expenses; reduce the indirect medical education (IME) allowance; and reduce the payment update to hospitals under the prospective payment system (PPS). Part B savings are achieved largely (80 percent) by freezing payments to nonprimary care physicians; reducing payments for overvalued services and localities; and reducing hospital outpatient department payments, as well as capital costs for these departments. The proposal changes are similar to those in the fiscal year 1990 budget.

Spending Proposals: The budget calls for spending $180 million ($190 million, according to CBO) in fiscal year 1991 to increase the capitation rate paid to HMOs for Medicare beneficiaries from 95 percent to 100 percent of the adjusted average per capita cost (AAPCC).

Revenue Proposals: Similar to the prior 2 years, the President's budget proposes to extend the Hospital Insurance (HI) tax to all State and local employees. This would generate an estimated $1.9 billion in revenues during fiscal year 1991. In addition, the administration proposes to establish a permanent floor in the Supplementary Medical Insurance (SMI) premium at the level needed to finance 25 percent of the Part B program, estimated by both OMB and CBO to be budget neutral in fiscal year 1991.

I. PROPOSED REDUCTIONS FOR PARTS A AND B

A. *PPS Updates*

Savings in fiscal year 1991—
OMB: $640 million
CBO: $590 million

Set PPS update at market basket inflation rate minus 1.5 percent for all hospitals. This would result in a 4.1 percent increase in hospital payment rates for all hospitals. No differential is provided for the four categories of hospitals recognized under current law (i.e., PPS exempt, large urban, urban, and rural).

A. *Capital Costs*

Savings in fiscal year 1991—
OMB: $1.53 billion
CBO: $1.32 billion

Maintain the 85 percent reimbursement rate for capital costs for rural hospitals and reduce the capital cost reimbursement rate for urban hospitals to 75 percent. Under current law, reimbursement of hospital capital expenditures is scheduled at 85 percent from January 1, 1990 through September 30, 1990; after fiscal year 1990, capital cost returns to 100 percent. (Beginning in fiscal year 1992, capital payments will be folded into the prospective payment rates.)

A *Indirect Medical Education*

Savings in fiscal year 1991—
OMB: $1.03 billion
CBO: $1.03 billion.

Reduce IME allowance from 7.7 percent to 4.05 percent. The Prospective Payment Assessment Commission (ProPAC) recently recommended an IME factor of 6.8 percent (compared with 5.09 percent recommended previously by the General Accounting Office). The study on which the ProPAC recommendation was based found that under current payment structures the IME factor could be as low as 3.2 percent, but for many reasons it would not be appropriate to set the factor at such a low level.

A *SNF Return on Equity*

Savings in fiscal year 1991—
OMB: $70 million
CBO: $35 million

Eliminate the return on equity (ROE) as part of the formula for reimbursing proprietary skilled nursing facilities (SNFs). SNFs are the only category of provider for which Medicare currently pays ROE.

A/B *Graduate Medical Education*

Savings in fiscal year 1991—
OMB: $215 million
CBO: $200 million

Establish a per resident payment derived from the national average of fiscal year 1987 salaries paid to residents and updated by the CPI. Primary care residents would be weighted at 180 percent of the per resident amount; nonprimary-care residents in their initial residency period would be weighted at 140 percent; and nonprimary care residents beyond their initial residency period would be weighted at 100 percent. (Payment for the direct costs of medical education for nurses and applied health professionals would not be affected by this proposal.) Cap the intern-to-bed ratio at the fiscal year 1989 ratio.

B *Physician Payment Updates*

Savings in fiscal year 1991—
OMB: $450 million
CBO: $335 million

Grant full Medicare Economic Index (MEI) update only for primary care physicians. Freeze customary and prevailing charge updates for nonprimary care services. No distinction is made in MEI levels for participating versus nonparticipating physicians.

B *Overpriced Procedures*

Savings in fiscal year 1991—
OMB: $110 million
CBO: $120 million

Reduce payments for selected overvalued procedures. OBRA 1989 reduced payments for these procedures by one-third of the amount by which they were determined to be overvalued, up to a

maximum reduction of 15 percent. This proposal reduces payments for these procedures by two-thirds of the remaining amounts, up to a maximum reduction of 25 percent.

B *Overpriced Localities*

Savings in fiscal year 1991—
OMB: $50 million
CBO: $50 million

Reduce payments for certain procedures in localities where payments are overvalued relative to the national average, once that average is adjusted to account for any differences in practice costs among areas, up to a maximum reduction of 25 percent. The procedures covered would exclude those covered by other administration proposals, low-volume procedures, or procedures for which the payment is expected to increase under a resource-based fee schedule.

B *Radiology and Anesthesia Fees*

Savings in fiscal year 1991—
OMB: $230 million
CBO: $215 million

Reduce radiology and anesthesia fees by the amount that current fees exceed an estimated resource-based fee schedule. In addition, pay the same amount for anesthesia services, regardless of whether an anesthesiologist personally performs the service or medically directs a certified registered nurse anesthetist (CRNA). Medicare would pay the anesthesiologist the difference between its payment to the CRNA and what it would have paid had the anesthesiologist actually performed the service.

B *Surgical Assistants and Surgical Global Fees*

Savings in fiscal year 1991—
OMB: $170 million
CBO: $175 million

Pay the same amount for a surgery regardless of whether or not the primary surgeon elects to use a surgical assistant. The Medicare payment to the primary surgeon would be reduced by the amount of the payment to the assistant surgeon.

Reduce the global fees paid for surgical procedures, which include in-hospital visits by the surgeon and post-discharge visits as well as the surgery, to reflect the reduction experienced in the length of stay by Medicare beneficiaries over the past few years.

B *New Physician Payments*

Savings in fiscal year 1991—
OMB: $50 million
CBO: $55 million

Continue to phase-in Medicare payment increases for new physicians. OBRA 1987 set limited fees for new physicians to 80 percent of the prevailing charge for all but primary care services and services in rural manpower shortage areas. OBRA 1989 continued, for 1 year, to phase-in increases for new physicians by limiting payments to second-year physicians to 85 percent of the prevailing charge. Under this proposal, payments to third-,

fourth- and fifth-year physicians would be, respectively, 90 percent, 95 percent, and 100 percent of the prevailing charge in fiscal year 1991, and of the fee schedule amount in fiscal year 1992 forward.

B *Physician Assistant Offset*

Savings in fiscal year 1991—
OMB: $5 million
CBO: $5 million
Eliminate duplicate payments for physician assistant services furnished in hospitals.

B *Hospital Outpatient Payments*

Savings in fiscal year 1991—
OMB: $670 million
CBO: $755 million
Reduce Medicare payments for certain hospital outpatient procedures 10 percent across the board. In addition, capital payments for hospital outpatient departments would be paid at 85 percent of costs for rural hospitals and 75 percent of costs for urban hospitals.

B *Durable Medical Equipment (DME)*

Savings in fiscal year 1991—
OMB: $320 million
CBO: $320 million
Limit payment for DME to the median of the fee schedule amount for each item, and provide a fee update only for those items below the limit in fiscal year 1991. Modify payment for DME rental items from average *submitted* charges to average *reasonable* charges. Limit total monthly rental payments for DME rental items to 120 percent of the recognized purchase price (as opposed to 150 percent under current law). Reduce payments for oxygen by 5 percent. Set fee schedules for enteral products and supplies. Through regulations (rather than legislation), eliminate coverage for seat lift chairs and eyeglasses after the insertion of an intraocular lens.

B *Clinical Lab Services*

Savings in fiscal year 1991—
OMB: $60 million
CBO: $85 million
Reduce Medicare payments for clinical lab services to 90 percent of the median fee schedule amount for nonprofile tests and 80 percent of the median fee schedule amount for profile and standardized test packages. Currently, Medicare pays 93 percent of the median fee schedule amounts for all clinical lab tests.

B *Diagnostic and Radiology Tests*

Savings in fiscal year 1991—
OMB: $60 million
CBO: $20 million
Apply a cap of 100 percent of the national median of the technical component fees of radiology services and diagnostic tests.

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B *Prior Authorization*

Savings in fiscal year 1991—
OMB: $64 million
CBO: $20 million

Extend to Part B carriers the authority to require prior authorization for medical services and/or equipment. Carriers currently have utilization review authority for these services, but do not have the authority to require prior authorization.

B *End Stage Renal Disease (ESRD)*

Savings in fiscal year 1991—
OMB: $30 million
CBO: $45 million

For beneficiaries with ESRD that have employer-sponsored health insurance, Medicare would remain the secondary payor for 18 months, rather than the current 12 months.

II. SPENDING PROPOSAL

HMO Capitation Rates

Cost in fiscal year 1991—
OMB: $180 million
CBO: $190 million

Increase Medicare's capitation payments to HMOs with which it contracts from 95 percent to 100 percent of the adjusted average per capita cost (AAPCC).

III. REVENUE PROPOSALS

B *State and Local Employees*

Revenue in fiscal year 1991—
OMB: $1.87 billion
CBO: n/a

Add all State and local government employees hired before April 1, 1986 to the Medicare Program. COBRA-mandated Medicare coverage and payment of HI taxes for all new State and local government employees hired after March 31, 1986. This proposal would cover all remaining State and local government employees.

B *Part B Premium*

Revenue in fiscal year 1991—
OMB: $0
CBO: $2 million

Make permanent the 25 percent beneficiary share of Part B program costs rather than reverting to indexing the annual premium increases to the cost-of-living adjustment under current law.

MEDICAID

[By fiscal years; in billions of dollars]

	Actual 1989	Estimated			
		1990	1991	1992	1993
Outlays:					
OMB:					
Current services	34.6	40.2	44.6	48.7	54.3
Bush budget	34.6	40.2	44.9	49.7	54.6
Proposed change			+.25	+.95	+.25
CBO:					
Current services	34.6	39.5	45.1	50.8	56.8
Bush budget		39.5	45.0	50.0	56.7
Proposed change			−.10	−.10	−.10

The Bush budget proposes to create a financial incentive for States to enroll their Medicaid beneficiaries in managed care programs, such as health maintenance organizations (HMOs) and preferred provider organizations (PPOs). Specifically, the administration proposes to provide an enhanced Federal match of 3 percent in fiscal year 1991 for those Medicaid expenditures associated with *new* enrollees in a managed care program, at an estimated cost of $25 million.

The 3 percent "bonus" would continue in the out years. In fiscal year 1993, States would be eligible for the enhanced match for *all* Medicaid beneficiaries enrolled in a managed care program, not just new enrollees. Also in fiscal year 1993, a penalty for not enrolling beneficiaries in managed care programs would begin to be phased in. In fiscal year 1993 States would have their Federal match decreased by 1 percent for all expenditures for beneficiaries not enrolled in a managed care program. The penalty would be set at 2 percent in fiscal year 1994 and 3 percent in fiscal year 1995 and years beyond.

On the incentive side, "managed care" is defined as a comprehensive program where the plan is at risk for all of the beneficiaries' care, such as an HMO. On the penalty side, however, the administration proposes to use a more liberal definition of a managed care program, that would include preferred provider types of arrangements. Rural areas would be exempt from this proposal.

To place managed care on an equal footing with fee-for-service medicine as an option under Medicaid, the administration proposes to eliminate the need for States to obtain a waiver for implementing managed care programs and to relax the enrollment requirements for certain Medicaid HMOs.

According to CBO, a proposed change to the Medicare Program which would affect Medicaid expenditures is the President's proposal to set a floor on Part B premiums. Since Medicaid programs

pay the Part B premiums for low-income elderly and disabled Medicare beneficiaries, this proposal would save the Medicare Program $40 million in fiscal year 1991. OMB does not take this into account in its computation of the fiscal year 1991 Medicaid budget. Finally, the administration proposes to begin to charge Medicare and Medicaid-certified nursing homes a fee for the costs of survey and certification. Neither OMB nor CBO have yet addressed this proposal in great detail regarding its costs to facilities or revenues generated as a result.

VETERANS HEALTH SERVICE AND RESEARCH ADMINISTRATION

[By fiscal years, in millions of dollars][1]

	Actual 1989	Estimated			
		1990	1991	1992	1993
Budget authority:					
OMB:					
Current services	n/a	11,610	12,160	12,696	13,218
Bush budget		11,610	12,579	13,143	13,676
Proposed change			+419	+447	+458

[1] CBO figures not available

The 1991 budget assumes an increase of 25,000 inpatient admissions and 750,000 outpatient visits over 1990 levels. The costs of acute care at the 172 VA hospitals are expected to increase by $530.6 million, and the cost of nursing care beds by $73.3 million.

Proposed legislation would allocate $54 million for changes in dental coverage, child-care centers, and revisions in the fee schedule for nurses, physicians, and dentists. Budget authority for medical and prosthesis research would be reduced by $14 million from 1990 spending.

NATIONAL INSTITUTES OF HEALTH (NIH)

[By fiscal years, in billions of dollars]

	Acutal 1989	Estimated			
		1990	1991	1992	1993
Budget authority:					
Total NIH:					
OMB:					
Current services	7.14	7.58	7.90	8.22	8.52
Bush budget		7.58	7.93	8.00	8.16
Proposed change			+.03	−.22	−.36
CBO:					
Current services		7.58	7.90	8.23	8.55
Bush budget		7.58	7.93	8.00	8.16
Proposed change			+.03	−.23	−.39

NIH: BY INSTITUTE

[Budget authority by fiscal years; in millions of dollars] [1]

	Estimated	
	1990	1991
Aging	239	249
Cancer	1,634	1,694
Heart, Lung, and Blood	1,072	1,113
Dental Research	136	141
Diabetes, Digestive, Kidney	581	605
Neurological Disorders and Stroke	490	512
Allergy and Infectious Diseases	833	887
General Medical Science	682	745
Child Health and Human Development	443	461
Eye Institute	237	247
Environmental Health	229	236
Arthritis, Musculoskeletal and Skin	169	176
Research Resources	354	319
Nursing Research	34	35
Deafness and Communication Disorders	118	123

[1] CBO's numbers for the individual institutes vary only slightly, if at all, from OMB's numbers, which are therefore not included in this chart.

The Bush budget would increase the total NIH budget by $354 million (4.7 percent) above the 1990 level. The $7.93 billion total budget would be allocated for basic research project grants ($4.3 billion), emphasizing mapping the human genome ($108 million in 1991 compared to $48 million in 1990) and AIDS ($800 million in 1991 compared to $743 million in 1990); research centers, training, and management ($2.81 billion); buildings and facilities, for delayed renovations and repairs ($89 million); cancer control, Library of Medicine, and other programs ($523 million); and the office of the Director ($83 million).

NATIONAL INSTITUTE ON AGING

[By fiscal years; in millions of dollars]

	Actual	Estimated			
	1989	1990	1991	1992	1993
Budget authority					
OMB:					
Current services	214	239	**250**	260	270
Bush budget		239	**249**	254	258
Proposed change			**−1**	−6	−11
CBO:					
Current services		239	**250**	260	270
Bush budget		239	**249**	254	259
Proposed change			**−1**	−6	−11

The proposed 1991 National Institute of Aging budget includes a modest $9.4 million increase over 1990. These moneys are sufficient to fund only a reduced number of new grants (153 in 1991, as compared to 156 new grants in 1990 and 194 in 1989). Approximately 30 percent of Institute grants are for Alzheimer's research, and an increasing fraction will be allocated to the Institute's new Initiative in Fraility.

HEALTH RESOURCES AND SERVICES ADMINISTRATION (HRSA)

[By fiscal years, in millions of dollars]

	Actual 1989	Estimated			
		1990	1991	1992	1993
Budget authority					
OMB:					
Current services	1,649	1,792	**1,840**	1,915	1,993
Bush budget	1,649	1,792	**1,588**	1,612	1,648
Proposed change			**−252**	−303	−345
CBO:					
Current services		1,789	**1,838**	1,914	1,993
Bush budget		1,789	**1,587**	1,611	1,646
Proposed change			**−251**	−303	−347

Proposed program changes in the Bush budget for HRSA would result in a significant decrease in funds for categorical or across-the-board loans or grants for health care students. However, minority programs have been expanded as part of the President's minority health initiative.

The budget request for the Maternal and Child Health Care Block Grant Program is maintained at $554 million, the largest single HRSA expenditure. In fiscal year 1991, $4 million is requested for the Office of Rural Health, compared to $3 million in fiscal year 1990.

INCOME SECURITY

SOCIAL SECURITY

[By fiscal years, in billions of dollars]

	Actual 1989	Estimated			
		1990	1991	1992	1993
Outlays:					
OMB:					
Current services	232.5	248.5	**265.5**	281.8	298.6
Bush budget			**264.8**	280.9	297.7
Proposed change			**−.7**	−.9	−.9
CBO:					
Current services	232.5	248.8	**265.8**	282.7	300.4
Bush budget	232.5	248.8	**265.8**	282.1	300.1
Proposed change			**0**	−.6	−.3

Social Security pays Old Age and Survivors Insurance and Disability Insurance benefits to 39 million beneficiaries. In January 1990, the average retiree received $567 per month. Social Security beneficiaries received a 4.7 percent cost-of-living adjustment (COLA) in January 1990. The Bush budget assumes full COLAs for 1991, estimated at 3.9 percent.

The Bush budget proposes no major changes in Social Security benefits or program administration. One minor benefit proposal is to provide benefits to children adopted by surviving spouses of certain deceased workers. Following a 21 percent reduction over the

last 6 years, Bush proposes no further staffing cuts at SSA in 1991. The budget also proposes to withhold income tax refunds from former beneficiaries who have repeatedly been uncooperative in repaying Social Security overpayments.

On the revenue side, the Bush budget proposes to raise $2.3 billion in 1991 by mandating Social Security coverage for all State and local workers who are not covered under a different pension system and for employees of the District of Columbia who are hired as of January 1, 1991. The proposal would increase revenues to Social Security trust funds (SSTF), thereby offsetting a greater share of the budget deficit in general revenues (and helping to meet the Gramm-Rudman-Hollings deficit reduction target in fiscal year 1991), but also increasing the number of future benefit payments.

The administration would retain the SSTF in the budget deficit calculation. Beginning in 1993, the President proposes to use the SSTF surplus to pay off the national debt, by establishing the "Social Security Integrity and Debt Reduction Fund." After a 3-year phase-in period, Treasury would transfer an amount of funds equal to the surplus in 1996 and each year thereafter to pay off the national debt.

SUPPLEMENTAL SECURITY INCOME (SSI)

[By fiscal years, in millions of dollars]

	Actual 1989	Estimated			
		1990	1991	1992	1993
Outlays:					
OMB:					
Current services	12,555	[1] 12,494	**14,456**	15,244	16,025
Bush budget	12,555	[2] 14,401	**15,134**	.....	15,860
Proposed change			**−55**	−110	−165
CBO:					
Current services	12,449	.....	**14,447**	15,456	16,535
Bush budget	12,499	.....	**14,632**	15,512	16,530
Proposed change			**185**	56	−5

[1] The decrease in fiscal year 1990 outlays stems from the fact that there are only 11 payment periods in that year.
[2] Due to a change in the manner in which SSI overpayments are accounted for in fiscal year 1991, there is a $225 million "paper" increase in the fiscal year 1991 outlays for the SSI program.

Over 4.6 million needy aged, blind, or disabled persons currently receive SSI benefits. In 1990, the Federal payment standard is $386 per month for individuals and $579 per month for couples. The Bush budget assumes that benefits will be automatically increased in January 1991 by the same percentage as Social Security benefits—3.9 percent.

The Bush budget does not propose any changes in the Federal SSI benefits payment. However, a savings of $55 million in fiscal year 1991, which increases to $164 million by fiscal year 1993, is assumed by charging some States a proposed fee for the administration of their SSI supplemental program. (18 States would be charged varying amounts, depending on the size of their benefit population.) The fee would be phased in over a 3-year period, using a formula based on 1.67 percent of the State's supplement in fiscal

year 1991 and increased to 5 percent of this amount by fiscal year 1993.

RAILROAD RETIREMENT

[By fiscal years, in millions of dollars]

	Actual 1989	Estimated 1990	1991	1992	1993
Outlays:					
OMB:					
Current services	4,193	4,415	4,695	4,817	4,927
President's budget	4,193	4,415	4,600	4,764	4,823
Proposed change		0	−95	−53	−104
CBO:					
Current services	4,193	4,274	4,435	4,631	4,772
Bush budget	4,193	4,274	4,372	4,602	4,699
Proposed change		0	−63	−29	−73

The Railroad Retirement Program provides Social Security and rail pension benefits to 890,000 retired and disabled railworkers and their surviving dependents. The Bush budget proposes three major changes in the program for fiscal year 1991, all of which repeat failed proposals made by President Reagan for fiscal year 1990.

Privatization: The Bush proposal again calls for privatizing the Railroad Retirement system, by transferring Tier I benefits (i.e., Social Security equivalent) to Social Security and the remaining benefits (i.e., Tier II, supplemental pensions, and vested dual benefits) to the rail industry. The new private-sector pension would be protected under ERISA, and thus would have to be fully funded. Rail unemployment insurance would be merged with Federal/State Unemployment Insurance Program.

Windfall Benefits: President Bush proposes to finance 25 percent of Federal windfall benefits for railroad retirees through the rail pension trust fund rather than through direct appropriations. Estimated fiscal year 1991 savings of $80 million.

Tier II COLA changes: The Bush budget also would eliminate the Tier II COLA for fiscal year 1991, and change the Tier II COLA thereafter to conform to other non-Social Security retirement benefits. Under the proposal, Tier II COLAs would be calculated by multiplying the current law rail pension COLA factor of 32.5 percent by the reduced Federal civilian retirement COLA (CPI less 1 percent).

FEDERAL CIVILIAN RETIREMENT

[By fiscal years, in millions of dollars]

	Actual 1989	Estimated 1990	1991	1992	1993
Outlays:					
OMB:					
Current services	29,522	31,809	34,605	35,938	38,047
Bush budget		31,809	32,423	32,745	34,493

FEDERAL CIVILIAN RETIREMENT—Continued

(By fiscal years, in millions of dollars)

	Actual 1989	Estimated 1990	1991	1992	1993
Proposed change		0	−2,182	−3,193	−3,554
CBO					
Current services	31,262		33,996	35,251	37,334
Bush budget	31,262		31,905	32,036	33,757
Proposed change			−2,091	−3,215	−3,577

Federal civilian retirement benefits are paid to 2.2 million retirees and survivors. Like the former administration, the Bush budget proposes a 1-year freeze in the COLA for civil service retirees in fiscal year 1991 and a reduced COLA equal to the consumer price index less 1 percent in fiscal years 1992 through 1995. Furthermore, civil service retirees would no longer be able to remove their contributions as a lump sum as of January 1, 1991.

MILITARY RETIREMENT

(By fiscal years, in millions of dollars)

	Actual 1989	Estimated 1990	1991	1992	1993
Outlays					
OMB					
Current services	20,184	21,451	22,766	24,758	25,533
Bush budget	20,184	21,451	22,093	23,709	24,188
Proposed change			−673	−1,049	−1,345
CBO					
Current services	20,184	21,610	22,976	24,365	25,850
Bush budget	20,184	21,610	22,335	23,298	24,481
Proposed change		0	−641	−1,067	−1,369

Military retirement benefits are paid to 1.6 million military retirees and their survivors. Like the former administration, the Bush budget proposes a substantial reform of COLA's for such benefits, consistent with those for civil service retirees. This includes the elimination of the January 1991 COLA for all military retirees (estimated savings of $673 million) and a permanent reduction in the COLA to CPI minus 1 percent beginning in fiscal year 1992.

VETERANS PENSIONS

(By fiscal years, in millions of dollars)

	Actual 1989	Estimated 1990	1991	1992	1993
Outlays					
OMB					
Current services	4,074	3,534	3,768	3,751	3,967
Bush budget	4,024	3,534	3,721	3,616	3,774
Proposed change		0	−47	−135	−193

VETERANS PENSIONS—Continued

(By fiscal years, in millions of dollars)

	Actual 1989	Estimate			
		1990	1991	1992	1993
CBO					
Current services	4,024	(1)3,553	3,877	3,898	3,916
Bush budget	4,024	(1)3,553	3,847	3,729	3,678
Proposed change		0	−30	−169	−238

(1) The decrease in fiscal year 1990 outlays stems from the fact that there are only 11 payment periods in that fiscal year.

Veterans pensions are paid to low-income war-time service-connected veterans 65 or older. While the total number of older veterans has continued to increase since 1980 and is expected to increase by another 6 percent this year, the number of pension recipients is expected to continue to decline slightly (1.23 million in 1988 to 1.16 in 1990) because veterans over 65 increasingly have higher incomes. The Bush budget assumes an automatic COLA of 3.9 percent in January 1991.

The administration proposes to grant the Department of Veterans Affairs access to Internal Revenue Service records for the purpose of verifying the income of pension beneficiaries. An estimated $61 million is calculated in budget savings in fiscal year 1991.

Legislation is included to increase from 3 months to 12 months the period before which the pension of certain institutionalized veterans (i.e., those in domiciliaries and nursing homes) is reduced to $90 per month. A projected cost of $13.5 million is expected to result in fiscal year 1991.

VETERANS COMPENSATION

(By fiscal years, in millions of dollars)

	Actual 1989	Estimate			
		1990	1991	1992	1993
Outlays:					
OMB					
Current services	11,650	(1)10,614	11,625	11,842	12,360
Bush budget	11,650	(1)10,614	11,468	11,667	12,180
Proposed change		0	−157	−175	−180
CBO					
Current services	11,650	(1)10,708	11,934	12,371	12,835
Bush budget	11,650	(1)10,708	11,796	12,216	12,674
Proposed change		0	−138	−155	−161

(1) The decrease in fiscal year 1990 outlays stems from the fact that there are only 11 payment periods in that fiscal year.

Veterans with disabilities resulting from military service receive monthly compensation payments scaled to the degree of disability. The payment is made regardless of the veteran's age or income. Survivors of veterans who die from service-connected injuries also receive payments in the form of death and indemnity compensation. The numbers of veterans and survivors of deceased veterans receiving compensation benefits is expected to decline slightly from 2.2 million in 1990 to 2.1 million in 1991.

As did his predecessor, President Bush is proposing legislation to provide for an automatic COLA for veterans compensation benefits instead of the current policy of annually legislating the COLA. The budget assumes a January 1991 COLA of 3.9 percent.

In addition, legislation is proposed to place a ceiling on the estates of veterans who are judged to be incompetent and who have no dependents. The purpose of this proposal is to assure that remote heirs of such veterans do not inherit large sums of veterans' benefits. A fiscal year 1991 savings of $171 million is projected.

VETERANS BURIAL BENEFITS

(By fiscal years, in millions of dollars)

	Actual 1989	Estimated 1990	1991	1992	1993
Budget authority					
OMB					
Current Services	137	156	160	164	168
Bush budget	137	156	160	164	168
Proposed change			0	0	0
CBO					
Current services	137	140	140	140	140
Bush budget	137	140	140	140	140
Proposed change			0	0	0

The President's fiscal year 1991 budget submission does not propose any changes to veterans' burial benefits.

PENSION BENEFITS—PENSION BENEFIT GUARANTY CORPORATION (PBGC)

(By fiscal years, in millions of dollars)

	Estimated 1990	1991	1992	1993
Outlays				
OMB				
Current services	708	464	466	466
Bush budget	708	466	467	468
Proposed change		2	1	2
CBO				
Current services	262	264	254	240
Bush budget	262	264	254	240
Proposed change		0	0	0

The PBGC provides Federal insurance to protect the pension benefits of workers covered by employer-sponsored defined benefit plans. The administration does not propose additional increases in premiums or staffing in PBGC this year.

The program is funded through premiums charged to single-employer and multi-employer plan sponsors. Recent changes in premium rates have improved the PBGC's financial position. The agency has a positive cash flow that should continue into the next century, barring any unforeseen event. As of September 1989, the long-term

deficit of the single-employer program was $1.1 billion. (The deficit represents the difference between existing assets and the present value of all the expenses and benefits that will be due under the plans PBGC has taken over.) However, the $1.1 billion figure calculated by the Bush budget excludes the over $2 billion in liabilities at issue in the LTV case pending before the Supreme Court. In contrast, CBO's budget estimates includes these liabilities.

PENSION AND WELFARE BENEFITS ADMINISTRATION (PWBA) [1]

(By fiscal years, in millions of dollars)

	Estimated			
	1990	1991	1992	1993
Budget authority				
OMB				
Current services	74	77	81	84
Bush budget	74	90	93	96
Proposed change		13	12	12

[1] CBO figures not available

The PWBA enforces ERISA standards for 870,000 pension plans and over 4 million health and welfare benefit plans. The administration proposes to increase funding and add 100 new employees to the Department of Labor's PWBA. PWBA, which employs fewer than 300 individuals in its ERISA enforcement division, investigates less than 1 percent of all pension plans.

SERVICES

OLDER AMERICANS ACT (OAA)

(By fiscal years, in millions of dollars)

	Actual	Estimated			
	1989	1990	1991	1992	1993
Budget authority					
OMB					
Current services	748	748	779	804	833
Bush budget	748	748	748	n/a	n/a
Proposed change			−31		
CBO					
Current services	748	748	n/a	n/a	n/a
Bush budget	748	748	n/a	n/a	n/a
Proposed change					

OAA: BY TITLE

	Actual	Estimated	
	1989	1990	1991
Title III (total)			
OBM			
Current services		717	710	739

OAA: BY TITLE—Continued

	Actual 1989	Estimated 1990	Estimated 1991
Bush budget	717	710	710
Proposed Change		0	−29
CBO:			
Current services	717	710	739
Bush budget	717	710	710
Proposed change		0	−29
By program (title III):			
Senior Centers:			
OMB:			
Current services	277	273	284
Bush budget	277	273	273
Proposed change			−11
CBO:			
Current services	277	273	284
Bush budget	277	273	273
Proposed change			−11
Congregate Meals:			
OMB:			
Current services	357	352	366
Bush budget	357	352	352
Proposed change			−14
CBO:			
Current services	357	352	366
Bush budget	357	352	352
Proposed change			−14
Home Meals:			
OMB:			
Current services	79	79	82
Bush budget	79	79	79
Proposed change			−3
CBO:			
Current services	79	79	82
Bush budget	79	79	82
Proposed change			0
Frail Elderly:			
OMB:			
Current services	5	6	6
Bush budget	5	6	6
Proposed change			−0.5
CBO:			
Current services	5	6	6
Bush budget	5	6	6
Proposed change			−0.5
Title IV (Training):			
OMB:			
Current services	22	25	26
Bush budget	22	25	26
Proposed change			0
CBO:			
Current services	22	25	26
Bush budget	22		26
Proposed change			0

OAA: BY TITLE—Continued

	Actual 1989	Estimated 1990	Estimated 1991
Title V (Under Senior Community Service Employment Program).			
Title VI (Native Americans):			
OMB:			
Current services	9	13	14
Bush budget	9	13	13
Proposed change			−1
CBO:			
Current services	9	13	13
Bush budget	9	13	13
Proposed change			0

OAA programs provide nutrition, transportation, legal, in-home and community-based services to persons 60 years of age or older. The President's budget proposes a reduction in current services of 3.9 percent overall, and a 4 percent cut in Title III community-based services programs. The 1991 White House Conference on Aging is proposed to receive $1 million under Title IV funding.

SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM—TITLE V

[By fiscal years; in millions of dollars]

	Actual 1989	Estimated 1990	Estimated 1991	Estimated 1992	Estimated 1993
Budget authority:					
OMB:					
Current services	344	357	372	387	401
Bush budget	344	357	343	343	343
Proposed change			−29	−44	−58
CBO:					
Current services	344	357	372	384	412
Bush budget	344	357	343	343	343
Proposed change			−29	−41	−69

The Senior Community Service Employment Program (SCSEP) provides part-time public service employment for low-income workers age 55 and older. SCSEP workers are individuals who cannot find work in the private sector because of limited work skills or other limitations. SCSEP is funded through Title V of the OAA and administered by the Department of Labor. The Bush budget proposes a reduction in 1991, and a freeze at that level in fiscal year 1992 and fiscal year 1993.

COMMUNITY SERVICES BLOCK GRANTS

[By fiscal years, in millions of dollars]

	Actual 1989	Estimated			
		1990	1991	1992	1993
Budget authority:					
OMB:					
Current services	381	389	405	421	437
Bush budget	381	389	0.042	0.042	0.042
Proposed change			−363	−379	−415
CBO:					
Current services	381	389	412	429	466
Bush budget	381	389	0.042	0.042	0.042
Proposed change			−411	−428	−465

Community Services Block Grants (CSBG) provide for health, nutrition, and employment community services for the poor, elderly, and infirm. Like the previous administration, President Bush proposes to eliminate the CSBG program, except for homeless services under the McKinney Act.

While the Bush budget anticipates that the Social Services Block Grant will fund these services, it does not provide new moneys for these additional responsibilities. In response to cuts, local and community government will have to increase their assistance or eliminate services.

SOCIAL SERVICES BLOCK GRANTS

[By fiscal years, in millions of dollars]

	Actual 1989	Estimated			
		1990	1991	1992	1993
Budget authority:					
OMB:					
Current services	2,700	2,762	2,875	2,970	3,076
Bush budget	2,700	2,762	2,800	2,800	2,800
Proposed change			−75	−170	−276
CBO:					
Current services	2,700	2,762	2,988	3,086	3,187
Bush budget	2,700	2,762	2,800	2,800	2,800
Proposed change			−188	−286	−387

Social Services Block Grants provide States with funds for services to low-income children, families, and older persons. The Bush budget proposes to increase funding to the maximum allowed by law. The proposed increase in funding falls short of the amount needed to keep the program at its current service level, let alone make up for the elimination of the CSBG program.

ACTION OLDER VOLUNTEER PROGRAMS

[By fiscal years; in millions of dollars]

	Actual 1989	Estimated			
		1990	1991	1992	1993
Budget authority:					
OMB:					
Current services	114	118	123	127	132
Bush budget	114	118	121	n/a	n/a
Proposed change			−2	n/a	n/a
CBO:					
Current services	114	118	123	128	132
Bush budget	114	118	121	n/a	n/a
Proposed change			−2	n/a	n/a

The ACTION agency operates programs to stimulate and support volunteer services provided by older persons and others, including Foster Grandparents, Retired Senior Volunteer Program (RSVP), and Senior Companions. The President's budget would fund these programs at $62 million (Foster Grandparents), $27 million (Senior Companions), and $32 million (Retired Senior Volunteer Program), respectively. A small fiscal year 1991 increase is proposed to increase the stipend for Foster Grandparents from $2.15 to $2.35 per hour; the number of total service hours will remain constant.

HOUSING

SECTION 202 PROGRAM

[By fiscal years; in millions of dollars]

	Actual 1989	Estimated			
		1990	1991	1992	1993
Budget authority:					
OMB:					
Current services	394	413	419	395	395
Bush budget	394	413	228	206	209
Proposed change			−191	−189	−186
CBO:					
Current services	394	412	430	446	462
Bush budget	394	412	220	196	205
Proposed change			−210	−250	−257

Section 202 provides funding for the construction of housing units for the elderly and handicapped. Since 1981, budget authority for this program has decreased 81 percent, from about $1.2 billion to the fiscal year 1991 request of $228 million (numbers are adjusted for inflation). The Bush budget would reduce the number of new Section 202 housing units from 8,368 units in fiscal year 1990 to 3,967 units in fiscal year 1991, a reduction of 53 percent. Of this amount, 3,097 units would be for the elderly, and the remaining 870 for the handicapped. The Bush budget for HUD also proposes to reprogram $55 million of the fiscal year 1990 funding for the new construction of 202 units to accelerate the production of units

that are stalled in the funding pipeline. Although this reprogramming would result in a 679-unit reduction in the number of new reservations possible in 1990, it would speed up their production in the pipeline.

The Bush budget also proposes to fund 3,000 units of leased housing for the elderly and handicapped. This approach would permit nonprofit groups to lease existing housing, which the administration says "provides greater flexibility than new construction at less cost." There would be 1,700 units for the elderly funded under Section 8 and 1,300 units for the handicapped funded under Section 162. Included within the units for the handicapped are 1,000 units to be designated for the chronically mentally ill homeless, as a component of the Homeownership and Opportunity for People Everywhere (HOPE) initiative.

CONGREGATE HOUSING SERVICES PROGRAM

[By fiscal years, in millions of dollars]

	Actual 1989	Estimated			
		1990	1991	1992	1993
Budget authority:					
OMB:					
Current services	5.4	5.8	6.0	6.3	6.6
Bush budget	5.4	5.8	0	0	0
Proposed change			−6.0	−6.3	−6.6
CBO:					
Current services	5.4	5.8	6.0	6.3	6.6
Bush budget	5.4	5.8	0	0	0
Proposed change			−6.0	−6.3	−6.6

Under the Congregate Housing Services Program (CHSP), HUD contracts with local public housing and Section 202 sponsors to supply meals and other supportive services to residents. The Bush budget proposes to eliminate CHSP by fiscal year 1991—a proposal the Congress consistently opposed during the Reagan Administration.

However, as part of the Bush Administration's new HOPE program, HUD is requesting $44 million in fiscal year 1991 for a "Service Supported Housing Voucher Demonstration Program for the Frail Elderly." Of the $44 million, $10 million would be for service payments, linked with $34 million for housing assistance vouchers for 1,500 frail elderly households over 5 years. The service payments would cover 45 percent of the cost-of-service provision. Local housing authorities would be required to secure 50 percent of the cost of services from the States, and eligible elderly persons would be required to pay 10 percent of the service cost. According to the budget document, these copayments are designed to discourage the use of unnecessary services.

LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM (LIHEAP)

[By fiscal years; in millions of dollars]

	Actual 1989	Estimated 1990	1991	1992	1993
Outlays:					
CMB:					
Current services	1,393	1,372	**1,444**	1,504	1,560
Bush budget	1,393	1,372	**1,079**	1,053	1,050
Proposed change			**−365**	−451	−510
CBO:					
Current services	1,393	1,364	**1,463**	1,502	1,562
Bush budget	1,393	1,364	**1,100**	1,050	1,050
Proposed change			**−363**	−452	−512

The LIHEAP program provides grants to States, Indian tribes, and territories to assist low-income elderly and nonelderly households in paying their home heating and cooling costs, energy-related crisis intervention, and low-cost weatherization. The Bush Administration proposes to cut LIHEAP by 25 percent, marking the sixth consecutive year of cuts from the fiscal year 1985 funding level of $2.1 billion.

The reduction means eliminating more of the 6 million low-income recipient households (among the 81 million that are eligible), or reducing the already low benefit levels, or both. The budget cites the stabilization of energy prices and a consequent decrease in the proportion of income that low-income households pay for heat as the reason for the 25-percent cut.

TAXATION

TAX EXPENDITURES IN AGING-RELATED AREAS

The Federal Government allows individuals and corporations to deduct certain amounts from income for tax purposes. These tax deductions—or, from the standpoint of the Federal Government, expenditures—serve a number of important functions which benefit older Americans. Several tax expenditures of particular interest are detailed below. The President does not propose any changes to these categories of tax expenditures. (Outlay equivalents are used.)

TAX EXPENDITURES IN AGING-RELATED AREAS

[By fiscal years; in millions of dollars]

	Actual 1989	Estimated 1990	1991	1992	1993
Income security:					
Net exclusion of pension contributions and earnings:					
Employer plans	56,985	60,095	**62,660**	n/a	n/a
IRAs	7,155	7,820	**8,165**	n/a	n/a

TAX EXPENDITURES IN AGING-RELATED AREAS—Continued

[By fiscal years, in millions of dollars]

	Actual 1989	Estimated 1990	**1991**	1992	1993
Keogh plans	1,715	1,900	**2,100**	n/a	n/a

Certain employer contributions to pension plans, along with amounts set aside by self-employed and individual employee contributions to individual retirement accounts (IRAs), are excluded from adjusted gross income in the year of contribution. This tax deduction represents the single largest tax expenditure of the Government. In 1987, there were an estimated 870,350 employer-sponsored pension plans with 76.6 million participants and over $1.6 trillion in assets. In addition, there are individually established tax-deferred IRA and Keogh plans.

Exclusion of Social Security benefits	18,885	19,935	**20,970**	n/a	n/a

Social Security and Tier I Railroad Retirement Benefits that exceed the beneficiary's contributions out of taxed income are deferred employee compensation; the deferral of tax on that compensation is a tax expenditure. In addition, benefit payments from the Social Security Trust Funds, for disability and for dependents and survivors, are excluded from beneficiary income.

Veterans benefits and services	1,570	1,575	**1,665**	n/a	n/a

All compensation due to death or disability and pensions paid by the VA are excluded from taxable income.

Commerce and housing credit:					
Exclusion of capital gains on home sales for persons 55+	4,195	4,250	**4,280**	n/a	n/a

A taxpayer who is 55 or older at the time of the sale of his residence may exclude from tax up to $125,000 of the gain from its sale. This is a once-in-a-lifetime election.

Health:					
Deductibility of medical expenses	2,690	2,860	**3,035**	n/a	n/a

Personal expenditures for medical care, including the cost of prescription drugs and insulin, exceeding 7.5 percent of the taxpayer's adjusted gross income, are deductible.

Exclusion of untaxed Medicare benefits	7,290	7,685	**8,325**	n/a	n/a

The employer's payment of 1.45 percent of employees' wages (up to $51,300 in 1990) into the HI Trust Fund, which finances Medicare benefits, is not included in employees' reportable compensation.

Excluding employer contributions for medical insurance premiums and medical care	32,425	36,465	**40,945**	n/a	n/a

Employee compensation, in the form of employer payments for health insurance premiums/medical expenses, is deducted as an expense by employers, and is excluded from employee gross income.

Support for the aged:					
Deduction for the elderly	1,575	1,885	**2,120**	n/a	n/a

Taxpayers who are 65 or older may take an additional $800 standard deduction, if single, or $650, if married.

NEW TAX PROPOSALS IN AGING-RELATED AREAS

[By fiscal years, in millions of dollars]

	Actual 1989	Estimated 1990	**1991**	1992	1993
Family Savings Account and Enhanced IRAs:					
Family savings accounts	n/a	−200	**−600**	−100	n/a
Enhanced IRAs	n/a	n/a	**−100**	−100	n/a

The Bush budget proposes to establish a Family Savings Account Plan (FSA) in order to stimulate savings and long-term investment. The FSA would expand the current limits on tax-favored savings without changing current contribution limits on 401(k) plans, IRAs, or Keoghs. The proposal would allow individuals who establish FSAs to exempt from income tax the interest income from nondeductible contributions to FSAs that are held for at least 7 years.

In addition, the administration proposes to modify current IRA rules to allow a waiver of the 10 percent excise tax penalty on early withdrawals of up to $10,000, if the withdrawn funds are used for first-time home purchases (effective January 1, 1991). The amount withdrawn would be taxed at the individual's marginal tax rate. To be eligible for the waiver, the individual would have to be a first-time home buyer, and the home purchased could cost no more than 110 percent of the median home price in the area.

NEW TAX PROPOSALS IN AGING RELATED AREAS—Continued

[By fiscal years, in millions of dollars]

	Actual 1989	Estimated			
		1990	1991	1992	1993
Retiree Health Proposal:					
Retiree health transfer proposal	n/a	200	400	200	n/a

The President proposes to allow for the limited use of excess pension assets from defined benefit pension plans to pay for current retiree health benefits. The amount of the funds transferred would be limited to ensure that adequate funds in the pension plan remain to finance pension benefits. Companies would have to take the transfer between December 31, 1989 and January 1, 1993. Similar proposals were offered during debate of OBRA 1989 but not enacted.

Medical Cost Deduction for Self-Employed:					
Deduction for health costs		200	400	500	n/a

The Bush budget proposes to permanently extend the 25 percent deduction of health insurance premiums and medical costs for self-employed persons. The current allowance of this deduction was scheduled to expire after December 31, 1989, but was extended for 9 months in OBRA 1989.